



## Summary of Third Party Pricing Review Graybar

In an effort to proactively demonstrate public benefit, U.S. Communities has enacted an annual program to review contract pricing by engaging a third party to perform a pricing review. The firm of Macias, Gini & O'Connell (MG&O) was engaged to perform the pricing review of the Los Angeles County / U.S. Communities electrical contract.

We have received the completed pricing review from Macias, Gini & O'Connell (MG&O) for the supplier Graybar for the timeframe of October 1<sup>st</sup> through December 31<sup>st</sup> 2008. Below is a summary of the key findings and results of the pricing review.

- The following public agencies participated in the third party pricing review;
  - City of San Antonio, TX
  - City of Charlotte, NC
  - University of Southern California, CA
- One invoice was selected from each agency
  1. For each invoice, 50 SKUs were selected for a total of 150 items totaling \$95,274.54 of sales that was tested to verify that the pricing did not exceed contract pricing. One exception from each of the agencies was noted as resulting from employee error and ability to override system. The exceptions total \$105.21 from total sales of \$95,274.54; or .11%.

U.S. Communities recognizes that the audit has highlighted a gap that has allowed the noted exceptions to occur and accordingly Graybar has seriously addressed these to further ensure public agencies compliant pricing. Nevertheless we believe the pricing review demonstrated that Graybar is materially in compliance with the pricing terms and conditions of the Los Angeles County/U.S. Communities electrical contract.



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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

U.S. Communities,  
Graybar, and  
Los Angeles County:

We have performed the procedures enumerated below, which were agreed to by U.S. Communities on behalf of itself, Graybar Electric Company, Inc. (Graybar), and Los Angeles County, solely to assist U.S. Communities, Graybar, and Los Angeles County in determining that items purchased under Los Angeles County's electrical products contract with Graybar were invoiced in accordance with contractual terms for items invoiced during the period of October 1, 2008 through December 31, 2008. Graybar's management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, to ensure compliance with Los Angeles County's electrical products contract with Graybar. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### Public Agency Audit Participants

- City of San Antonio, TX
- City of Charlotte, NC
- University of Southern California

### Electrical Products

1. Randomly select 50 SKUs purchased in the October 1, 2008 to December 31, 2008 period.  
**Results:** Procedure performed without exception.
2. For each of the 50 SKUs selected in procedure 1, request an electronic invoice.  
**Results:** Procedure performed without exception.

3. For each of the items selected in procedure 2, identify the discount category of either List-Less or Cost-Plus by matching item to Resource Items III and IV (discounts range between 0-77.5% off-list price):
  - o For each List-Less discount priced item, compare invoice to Graybar's List Price sheet as of October 1, 2008 and discount to verify pricing (note: Graybar pricing is structured as a minimum discount off of list, many items will be sold below the minimum discounted amount),
  - o For each Cost-Plus priced item, request cost and compare invoice to Graybar's cost and contract to verify pricing (note: Graybar pricing is structured as a maximum markup from cost, many items will be sold below the maximum marked-up amount).

**Results:** Procedure performed with the following exceptions:

- City of San Antonio, TX – One List-Less item invoiced for \$379.00 was over-charged by \$7.00 as a result of two offsetting errors. The first error was under-charging a unit price of \$4.80 for an item with a unit price of \$6.20. The second error was using a List-Less percentage of 21% when the contract called for 40%.
- City of Charlotte, NC – One Cost-Plus item invoiced for \$206.95 was over-charged by \$25.87 as a result of using an incorrect 'plus percentage' due to an employee believing the product was part of another product line.
- University of Southern California – One Cost-Plus item invoiced for \$340.00 was over-charged by \$72.34 as a result of an employee 'hard-coding' into the system the pricing, effectively overriding the 'cost-plus' formula.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance with Los Angeles County's electrical products contract with Graybar. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of U.S. Communities, Graybar, and Los Angeles County, and may be shared in whole or in part by U.S. Communities with the agencies they selected for testing (the cities of San Antonio, Texas and Charlotte, North Carolina and the University of Southern California) and is not intended to be and should not be used by anyone other than those specified parties.

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Sacramento, California

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